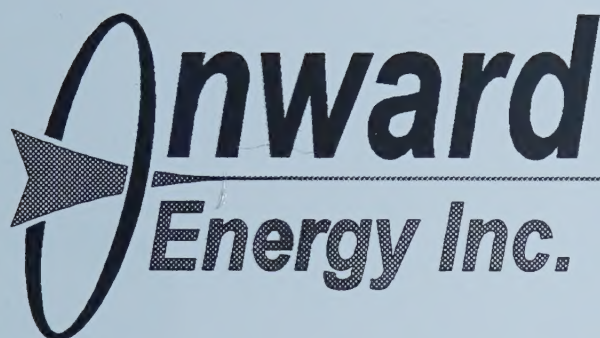


AR60

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

1995 Annual Report



Onward Energy Inc. is a Canadian junior oil and gas company based in Calgary, Alberta. Onward Energy is focused on expanding its operations through prudent acquisitions, successful development and exploration in Western Canada.

Onward Energy is a publicly traded company listed on the Alberta Stock Exchange, symbol ONI.

HIGHLIGHTS

YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED DECEMBER 31, 1994
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FINANCIAL

(thousands of dollars except per share amount)

Gross Revenue	620	104
Cash Flow From Operations	203	(63)
Cash Flow Per Share	0.03	(0.01)
Net Earnings	66	(86)
Net Earnings Per Share	0.01	(0.01)
Working Capital	277	121
Long Term Debt	-	-

OPERATIONS

Oil Production (Bbl/d)	82	42
Proven Oil Reserves (MSTB)	162	148
Probable Oil Reserves (MSTB)	-	2
Values of Reserves @ 15% Discount	939	862

ANNUAL MEETING

The Annual General Meeting of the shareholders will be held on Friday, June 7, 1996 at 10:00 a.m. at Suite 2800, 801 - 6th Avenue S.W., Calgary, Alberta

REPORT TO SHAREHOLDERS

The year 1995 can be considered as a year of foundation building for Onward Energy Inc. By capitalizing on the workover potential from the existing properties, Onward Energy exited 1995 with increased production, improved cash flow and a healthy balance sheet with no debt.

The average production for 1995 was 82 barrels of oil per day compared to 42 barrels per day at the end of the last reporting period in 1994.

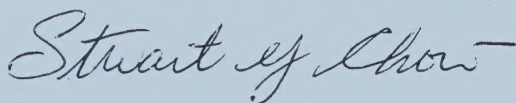
The Company holds a 100% interest in three oil wells in Cherhill, Alberta. The average oil production from these three wells was 76 barrels per day in 1995.

The Company also has a 100% interest in one oil well in Brazeau River, Alberta. The well average six barrels per day in 1995.

Onward had identified and pursued various acquisition opportunities in 1995. However, the Company had not made any acquisition during last year.

For 1996, Onward Energy will continue to concentrate on pursuing prudent acquisitions that will provide future economic growth potential. We will also focus on maximizing the return on the existing properties.

On behalf of the Board of Directors, I would like to thank all the shareholders for their interest in and support of the Company in 1995. We will continue to work wisely to advance the Company along the road to success.



Stuart Y. Chow, P.Eng.

President and Chief Executive Officer

April 30, 1996

Raymond P. Antony*
Dennis B. Bleackley*
Lorne A. Hanson*
Glenn F. McCowan*

Associates:
Ingrid Howden
Dale Owen

April 12, 1996

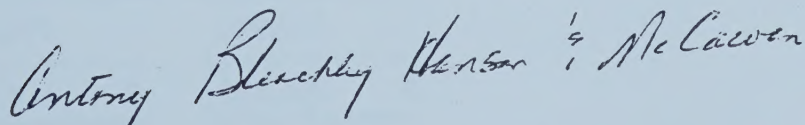
AUDITORS' REPORT

To the Shareholders of
Onward Energy Inc.

We have audited the consolidated balance sheets of the Onward Energy Inc. as at December 31, 1995 and December 31, 1994 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and December 31, 1994 and the results of its operations and the changes in its financial position for each of the years then ended in accordance with generally accepted accounting principles.



Chartered Accountants

ONWARD ENERGY INC.
CONSOLIDATED BALANCE SHEET

	December 31	
	1995	1994
ASSETS		
Current assets:		
Cash and deposits	\$ 263,914	\$ 183,450
Accounts receivable	49,245	20,561
Inventory	-	7,144
GST recoverable	-	34,361
Prepaid	222	285
	<u>313,381</u>	<u>245,801</u>
Capital assets, at cost (Note 4):	760,093	696,114
Less: Accumulated depletion and amortization	178,594	40,430
	<u>581,499</u>	<u>655,684</u>
	<u><u>\$ 894,880</u></u>	<u><u>\$ 901,485</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 30,799	\$ 123,928
GST payable	5,157	-
Income taxes payable	-	462
	<u>35,956</u>	<u>124,390</u>
Provision for site restoration	45,984	29,484
Shareholders' equity:		
Share capital (Note 5)	886,056	886,056
Deficit	(73,116)	(138,445)
	<u>812,940</u>	<u>747,611</u>
	<u><u>\$ 894,880</u></u>	<u><u>\$ 901,485</u></u>

APPROVED ON BEHALF OF THE BOARD:

Stuart J. Chow, Director

Sheila C. Chow, Director

ONWARD ENERGY INC.

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

	Year ended December 31 1995	Six months ended December 31 1994
Revenue:		
Oil and gas	\$ 610,986	\$ 94,709
Interest	8,920	9,701
	<u>619,906</u>	<u>104,410</u>
Expenses:		
Oil and gas production	338,334	118,303
General administration	60,913	40,213
Bank charges and interest	469	700
Site restoration and abandonment	16,500	7,777
Amortization	29,055	8,160
Depletion	109,109	15,581
	<u>554,380</u>	<u>190,734</u>
Net income (loss) for the year before income tax	65,526	(86,324)
Income tax - current	197	-
Net income (loss) for the year	65,329	(86,324)
Deficit, beginning of period	<u>(138,445)</u>	<u>(52,121)</u>
Deficit, end of year	<u>\$ (73,116)</u>	<u>\$ (138,445)</u>
Income (loss) per share	<u>\$.009</u>	<u>\$ (0.011)</u>

ONWARD ENERGY INC.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31 1995	Six months ended December 31 1994
Cash provided (used) by operating activities:		
Net loss for the year	\$ 65,329	\$ (86,324)
Add: Adjustment for items not affecting cash -		
Depletion	109,109	15,581
Amortization	29,055	8,160
	<u>203,493</u>	<u>(62,583)</u>
Decrease (increase) in non-cash working capital items -	<u>(75,550)</u>	<u>(12,875)</u>
	127,943	(75,458)
Investing activities:		
Additions of capital assets	(63,979)	(515,692)
Financing activities:		
Provision for site restoration and abandonment	<u>16,500</u>	<u>7,777</u>
Net increase (decrease) in cash	80,464	(583,373)
Cash, beginning of year	<u>183,450</u>	<u>766,823</u>
Cash, end of year	<u><u>\$ 263,914</u></u>	<u><u>\$ 183,450</u></u>

ONWARD ENERGY INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1995

1. Incorporation:

The Company was incorporated on June 8, 1993 under the provisions of the Business Corporations Act (Alberta). By shareholder approval of the acquisition of all the outstanding shares of Ryanda Resources Ltd. ("Major Transaction"), the Company commenced oil and gas operations on November 1, 1993.

2. Significant accounting policies:

Consolidation -

The December 31, 1994 consolidated financial statements include the accounts of Onward Energy Inc. (the "Company") and its wholly owned subsidiary Ryanda Resources Ltd. Effective January 1, 1995 the Company and its subsidiary were amalgamated.

Properties and equipment -

(a) Capitalized costs -

The Company follows the full cost method of accounting for oil and gas activities whereby all costs associated with the acquisition, exploration and development of oil and gas reserves are capitalized. Such costs include those related to lease acquisition, geological and geophysical activities, lease rentals on unproved properties, the costs of drilling both productive and non-productive wells and that portion of administrative expenses applicable to those activities. To date, no general and administrative costs have been capitalized.

Proceeds from the disposal of properties are normally applied as a reduction of the costs unless a significant disposal occurs in which case a gain or loss is recorded.

(b) Depletion and amortization -

Depletion of oil and gas properties and amortization of production equipment is provided using the unit of production method based on estimated proved oil and gas reserves as determined by the Company's reservoir engineers. The relative volumes of oil and gas reserves and production are converted to a common unit of measure on the basis of relative energy content.

(c) Future site restoration and abandonment -

The estimated costs for future site restoration and abandonment are provided on the unit of production method based on estimated costs and regulations in effect at year end.

ONWARD ENERGY INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1995

2. Significant accounting policies (Continued):

(d) Ceiling test -

The Company applies an annual ceiling test to capitalized costs to ensure that such costs do not exceed the estimated value of future net revenues from the production of proved oil and gas reserves calculated at year end prices, less future development costs and administrative, financing, site restoration and abandonment and income tax expenses. Any reduction in value as a result of the ceiling test is charged to operations.

(e) Joint venture activities -

Substantially all of the Company's exploration and production activities are carried on jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

3. Acquisition -

Effective November 1, 1993 the Company acquired all of the issued and outstanding shares of Ryanda Resources Ltd. a corporation controlled by certain officers and directors of the Company. The purchase price and consideration received consisted of the following:

Purchase price	
Cash	\$ 53,000
1,400,000 common shares of Onward Energy Inc. issued at \$0.25 per share	<u>350,000</u>
	403,000
Less:	
Reduction in value attributed to shares issued as a result of common control transaction (See Note 5)	<u>(349,999)</u>
	<u>\$ 53,001</u>
Consideration received:	
Book value of net identifiable assets	\$ 15,410
Excess purchase price allocated to value of oil and gas property. This excess purchase price is being amortized over the life of the reserves based on production	<u>37,591</u>
	<u>\$ 53,001</u>

ONWARD ENERGY INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1995

4. Capital assets:

	<u>December 31, 1995</u>			<u>December 31, 1994</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Oil and gas properties	\$ 644,323	\$ 137,466	\$ 506,857	\$ 552,647
Oil and gas equipment	94,180	35,973	58,207	83,153
Office furniture and equipment	<u>21,590</u>	<u>5,155</u>	<u>16,435</u>	<u>19,884</u>
	<u>\$ 760,093</u>	<u>\$ 178,594</u>	<u>\$ 581,499</u>	<u>\$ 655,684</u>

5. Share capital:

Authorized -

The Company is authorized to issue the following shares -

Unlimited number of common shares

Unlimited number of preferred shares

Issued -

The following common shares have been issued since the date of incorporation -

	<u>Number of shares</u>	<u>Amount</u>
Issued for cash, June 16, 1993	2,340,000	\$ 70,200
Issued for cash, June 29, 1993	40,000	1,200
Issued for cash, October 29, 1993	1,800,000	180,000
Issued for oil and gas properties (Note i)	1,400,000	1
Issued for cash, December 3, 1993 (Note ii)	90,000	9,000
Issued for cash, January 25, 1994 (Note ii)	90,000	9,000
Issued for cash, February 10, 1994 (Note ii)	410,000	41,000
Issued for cash, February 15, 1994 (Note iii)	1,081,900	486,855
Issued for cash, March 15, 1994 (Note iii)	<u>306,989</u>	<u>138,145</u>
	<u>7,558,889</u>	935,401
Less: Costs related to public offering		<u>(49,345)</u>
Balance at December 31, 1994 and 1995		<u>\$ 886,056</u>

ONWARD ENERGY INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1995

5. Share capital (Continued):

- (i) On November 1, 1993, the Company issued 1,400,000 shares at a price of \$.25 per share on a private placement basis. These shares were issued to certain officers and directors of the Company as consideration for all of the issued and outstanding shares of Ryanda Resources Ltd. This constituted the Company's "Major Transaction". As this transaction was non arms length, it was accounted for in accordance with continuity of interest accounting whereby the net assets of the subsidiary were consolidated at their carrying value except to the extent that cash payments exceed carrying value.
- (ii) Common shares were issued on the exercise of Agent's and Directors' stock options at a price of \$.10 per share.
- (iii) Common shares were issued on private placement basis at a price of \$.45 per share.
- (iv) On September 12, 1994, the Company granted stock options to purchase a total of 685,000 common shares to officers and directors at a price of \$.40 per common share until September 11, 1999. On July 4, 1995 the option price was adjusted to \$.30 per common share pursuant to a Director's Resolution.

6. Income taxes:

At December 31, 1995 the Company has have unutilized losses for income tax purposes of \$174,000. (1994 - 209,100) These losses are available to be applied against taxable income of future years except that, if not so applied, the losses will expire by December 31, 1999. The potential future benefit of these losses has not been recognized in these financial statements.

The Company also has undeducted Canadian Oil and Gas Property Expenses and Canadian Development Expenses of \$337,000 (1994 - 413,000).

7. Related party transactions:

Included in general and administration expenses was an amount of \$31,000 paid to two corporations controlled by certain officers and directors of the Company for consulting services.

Included in accounts payable at December 31, 1995 is an amount of \$1,075 owed to one of the officers and directors of the Company related to general expenses in the normal course of business.

ONWARD ENERGY INC.

CORPORATE INFORMATION

DIRECTORS

Stuart Y. Chow
Sheila C. Chow
Christopher C. Chow
Dewayne W. Chow
George K. Chow

AUDITORS

Antony Chittick Bleackley
& Hanson
462, 301 - 14th Street N.W.
Calgary, Alberta
T2N 2A1

OFFICERS

Stuart Y. Chow, P.Eng.
President
Chief Executive Officer

Sheila C. Chow
Secretary

STOCK EXCHANGE LISTING

The Alberta Stock Exchange
Trading Symbol - ONI

CORPORATE OFFICE

Suite 400
1100 - 8th Avenue S.W.
Calgary, Alberta
T2P 3T8

Phone: (403) 266-1676
Fax: (403) 254-0109

SOLICITORS

Walsh Wilkins
2800, 801 - 6th Avenue S.W.
Calgary, Alberta
T2P 4A3

TRANSFER AGENT AND REGISTRAR

The R-M Trust Company
Calgary, Alberta

BANKER

Bank of Montreal
Calgary, Alberta

